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ABSTRACT

This annual report outlines the mission, values, and goals of New Zealand's Early Childhood Development board (ECD), established in 1989 to promote the development and provision of high quality, accessible, and culturally appropriate educational and developmental facilities/services for families and young children. The report contains a directory of ECD addresses; a brief description of ECD; statements of the office's purpose, mission, and values; and reports by ECD's chairperson, chief executive, and the audit office. Priorities for the year are delineated for ECD legislation, stakeholders and partnerships, service delivery, human resources, information strategies, and ECD governance. A statement of service performance details the performance measures covering the ECD's key activities. Specific information is presented in three output areas: (1) advice to the Minister of Education and the Ministry; (2) a range of early childhood education and parenting support services; and (3) management of grants and contracts. A statement of service costs, accounting policies, and financial information complete the report. (KB)

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ED 473 512

EARLY CHILDHOOD DEVELOPMENT

1 July 2001 to 30 June 2002

Annual Report

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EARLY CHILDHOOD DEVELOPMENT

Early Childhood Development (ECD) spearheads Government's investment in the development of learning opportunities for children in the first five years of life. Increasingly research affirms the value of investing in early education for improved individual, family, community, social and economic well-being.

As the early childhood sector evolves in response to the needs of a diverse population there is an increasing requirement for a spectrum of early childhood education that spans parenting, formal education, and informal and community driven initiatives. ECD plays a unique role as coordinator, catalyst for development and active developer of services across the spectrum. This role is supported by strong relationships in both the formal and community based sectors.

ECD is a Crown entity, established under the Education Act 1989. It reports directly to the Minister of Education through its Board.

ECD supports families through comprehensive parenting initiatives, such as the Parents as First Teachers Programme (PAFT) and Family Start, and through information and advice, by means of booklets, telephone or personal contact, and in workshops and seminars. Families are also supported through playgroups, where parents are enabled to play a key role in their children's early development and education.

E pupiri ana e Ngā Kaitaunaki Kōhungahunga ki ngā whāinga whakatakotohia e Te Tiriti o Waitangi heihāpai i ngā whānau Māori, a kia tutuki ai ngā wawata o ngā hapu o Aotearoa.

Early Childhood Development is committed to working in partnership with Māori whānau, hapu and iwi to increase participation by Māori whānau in early childhood education and to enhance the education outcomes of Māori children.

Early Childhood Development is also committed to supporting Māori parents and whānau towards quality parenting practice.

ECD provides substantial support for the Pacific Islands early childhood education infrastructure that is emerging in response to the needs of this fast growing population of under-fives.

ECD makes a major contribution to the development and ongoing quality improvement of licensed and chartered early childhood centres, by providing advice and information which helps centres to achieve licensed status, and as New Zealand's major provider of professional support services for staff and management in licensed centres.

STATEMENT OF PURPOSE

The Early Childhood Development Board was established under Part V of the Education Act 1989 as a Crown entity. Its business name is Early Childhood Development (ECD).

ECD is governed by a Board of six members, who are appointed by the Minister of Education. Included on the ECD Board is the Chief Executive.

ECD has a national office in Wellington and four regional offices in Auckland, Hamilton, Wellington, and Christchurch, supporting a total of nine local office sites.

ECD's purpose is "to promote and encourage the development and provision of high quality, accessible, and culturally appropriate educational and developmental facilities and services for the benefit of children who have not yet enrolled at a primary school" (Section 45(1), Education Act 1989). This is the mandate under which ECD operates.

ECD provides programmes that promote and develop parenting and early childhood education services. It delivers programmes and information and advice, and manages contracts of third-party service providers. ECD also provides information and advice to the Minister of Education. There are three major strands to these activities:

- supporting the **informal or community sector** – playgroups, Ngā Puna Kōhungahunga (Māori playgroups), Pacific Islands Early Childhood Groups – with professional development to improve the quality of their service and capacity to cater to groups with lower participation rates
- supporting the **formal sector** (licensed and chartered centres, kōhanga reo, kindergartens, playcentres and childcare centres) with professional development for staff and management and
- supporting **families** through dedicated parenting support programmes for parents of young children, and overcoming barriers to early childhood education services.

MISSION STATEMENT

RIGHT FROM THE START

Early childhood education has a major impact on the well-being of the individual, family, community and society. **Early Childhood Development actively supports the development of a range of opportunities to enable all young New Zealanders to experience positive early childhood development, as the foundation for life-long learning.** This means ensuring that a range of quality early childhood and parenting services is available to meet the needs of families now and in the future, regardless of their cultural, social or geographical position.

We will focus particularly on meeting the needs of groups with lower participation rates in early childhood services: through supporting existing services and service providers to enhance their quality; developing or encouraging the development of needed new services; and working directly with families to overcome any barriers preventing them from having access to services.

Early childhood education now covers a diverse spectrum of activities, including parenting, formal and informal education, and community-driven initiatives. **Early Childhood Development acts as a coordinator and guardian, a catalyst for development and an active developer of services across the early childhood spectrum.**

MISSION STATEMENT (MĀORI)

RIGHT FROM THE START

Ngā whāinga mātāmua

He wāhanga nui tonu kei ngā whakākoranga kōhungahunga e noho ora ai te tamaiti, te tangata, te whānau, te hapori, otirā, te motu whānui. E tautoko ana Ngā Kaitaunaki Kōhungahunga i te takoto mai o te maha tonu o ngā huarahi e taea ai e ngā tamariki katoa o Aotearoa te whai wāhi atu ki ngā kaupapa whakapakari kōhungahunga papai, inā hoki, koinei te tūāpapa o ngā akoranga ka whāia e te tangata ā eke noa te wā ki a ia i tēnei ao. Ko tā mātou e whai ana, kia wātea mai ētahi kaupapa whai tikanga mā ngā whare manāki kōhungahunga me te hunga āwhina mātua, kia tutuki ai ngā hiahia o ngā whānau o ēnei rā me ērā o ngā rā kei tua o te awe māpara, ahakoa ko wai te tamaiti, te tangata rānei, ahakoa nō hea ia, kei hea ia e noho ana, pēhea rānei te āhua o tana noho ki tēnei ao.

Ka ia mātou aronga nui, ko te whai kia tutuki ngā hiahia o ngā tāngata kāore e tino kaha ana tā rātou whai wāhi mai ki ngā ratonga kōhungahunga. Hei whakatutuki i tēnei: ka āwhinatia ngā ratonga e tū ana i ēnei rā kia kaha ake ai te pai o ā rātou mahi; ka whakatūria, ka āwhinatia rānei ētahi atu tāngata ki te whakatū i ngā ratonga hou e hiahiatia ana; ka mahi ngātahi ki ngā whānau ki te turaki i ngā aukati e whakararu ana i tā rātou whai wāhi mai ki ngā ratonga.

I ēnei rā he nui tonu ngā mea e noho mai ana ki te karangatanga o tēnei mea, te whakākoranga kōhungahunga, tae atu ki ngā kaupapa āwhina i te hunga āwhina mātua, ngā mātauranga e whāia ana i ngā kura me ērā o wāhi kē, tae atu ki ngā kaupapa e whakahaeretia ana e te hapori tonu. Ko te wāhi ki Ngā Kaitaunaki Kōhungahunga, he tuitui haere, he ārahi haere, he kōkiri rānei i ēnei memo kaupapa, he whakatū anō hoki i āna ake ratonga hei āwhina i ngā mahi whakapakari kōhungahunga.

STATEMENT OF VALUES

Early Childhood Development is committed to providing high quality services which:

- are accessible to all users, responsive to client needs and enable them to realise their full potential as individuals and as members of society;
- adapt quickly and effectively to new needs and opportunities and the development of knowledge, understanding and skills needed by New Zealanders to compete successfully in the modern, ever changing world;
- actively promote equal education opportunities and practices for all New Zealanders, by identifying and removing barriers to achievement;
- encourage users to develop their own ideas, skills and understandings and to make the best use of their resources;
- are consistent with Māori aspirations and processes, and increase participation and success by Māori;
- respect the diverse ethnic and cultural heritage of New Zealand people, with acknowledgement of the unique place of Māori, New Zealand's role in the Pacific and as a member of the international community of nations;
- develop and maintain on-going consultative processes with relevant organisations, institutions, user and community groups;
- develop and maintain effective working relationships with all education Crown entities and relevant organisations.

CHAIRPERSON'S REPORT

Early Childhood Development (ECD) is the Government's agency for early childhood education. ECD provides programmes that promote and develop parenting and early childhood education, including managing contracts with third party suppliers and providing information and advice to the Minister.

Children need the best possible start in life and the experiences that they have in early childhood have a profound effect on their lives. Early childhood education has a major impact on the well-being of the individual, family, community and society. A child's early learning foundations are extended when they take part in quality early childhood education.

During the last year ECD has been successful in contributing to the Government's desired outcomes for early childhood education. This Annual Report for the year ended 30 June 2002 documents some of the key achievements of ECD.

ECD continues to focus particularly on meeting the needs of groups with lower participation rates in early childhood services. This is done through helping existing services and service providers to improve their quality; developing and encouraging the development of needed new services and working directly with families to overcome any barriers preventing them from having access to services.

The Awhina Mātua/Parent Support Programme has reached a significant number of families, with the target number for Pacific families being exceeded. This is a good achievement given the level of resources for this work.

ECD has supported groups obtaining probationary and full licensing and chartering. The Board is pleased with the initial positive responses to the new web-based licensing support package. This development makes a substantial body of knowledge about the establishment and maintenance of quality services accessible to both prospective and and existing early childhood services.

Because of recent re-tendering of the programme Parents As First Teachers (PAFT), ECD now has 20 contracts with Māori and Pacific providers. PAFT's comprehensive empirically based curriculum, which includes a complementary Māori strand, sets it apart from other parent development programmes. Recent research commissioned by ECD clearly showed that participation in PAFT benefits families and identified PAFT's successful features from the parents' perspective. Further research expected to be released later in 2002 is likely to show that a programme tailored to the needs of individual families is valued as a means to promote pride in competent parenting and to make a positive difference for children. ECD believes that this local research substantially contributes to current policy deliberations on the type of parent support that will succeed in the New Zealand social context.

ECD has made a great contribution in supporting licence-exempt playgroups facilitated by parents that enable children to have quality learning opportunities in a community-based group environment. Work is now underway on a web-based support package to support quality in the license-exempt sector.

Professional Development Services, Pacific Participation Projects, He Taonga Te Mokopuna and Atawhaingia Te Pā Harakeke programmes continue to have been provided during the year. ECD continues to support Ministry of Pacific Islands Affairs Programmes of Action capacity building work for the Pacific early childhood services.

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ECD holds a substantial contract with the Department of Child Youth and Family Services focused on working collaboratively with Iwi/Māori Providers to strengthen their skills to deliver services aimed at whānau development. This includes the development of parenting skills, specific support for young children, and the development and support of whānau playgroups, Ngā Puna Kōhungahunga.

A significant offshoot of the work with some 60 plus provider groups under this contract is the development of *Te Mana o Te Tamaiti Māori: A Draft Charter of the Rights of the Māori Child*. The charter has been formally presented to the office of the Minister of Māori Affairs, and is intended to stimulate discussion and debate at a variety of levels.

ECD has almost completed the development of protocols with the Kōhanga Reo National Trust. We believe that this will lead to effective collaboration for the benefit of Māori early childhood education.

Strategic Direction

ECD has been involved in discussions with the other organisations in the early childhood sector on the possible future strategic direction of early childhood education and has contributed to policy development in various forums. It is anticipated that ECD will have a key role in implementing aspects of the Government's Strategic Plan for Early Childhood Education: *'Pathways to the Future' – Ngā Huarahi Arataki.*

The greatest challenge ECD currently faces is ensuring its financial viability into the future as many of its contracts for services expire by the end of 2003/2004. These contracts contribute to maintaining ECD organisational capacity. Another factor is that ECD is increasingly working with 'harder to service' clients requiring greater support than normal.

ECD is implementing the e-government strategy as we are able and is very interested in taking advantage of new opportunities that arise. The new web-based licensing support package is an example of ECD's initiatives in this area.

Board

I have appreciated the dedication of Board members over the last year and the way they have worked effectively with the Chief Executive to achieve a successful result. At the end of this financial year we received notice of the intention of Mrs Teupoko Morgan to resign from the Board. Mrs Morgan has been on the ECD Board since March 1997 in the position of Pacific representative. She has done this through her Cook Islands heritage, her extensive knowledge of early childhood education and her community work. We thank her for her valuable contributions over the years.

I would also like to thank the Chief Executive and staff for making a valuable contribution to early childhood education and the development of parenting skills throughout the year.

Michael S. Morris
Chairperson, ECD Board

CHIEF EXECUTIVE'S REPORT

ECD has had a successful year during which it has further increased its focus on meeting the needs of groups that have lower participation rates in early childhood education services.

The contribution of ECD to early childhood education and parenting programmes is through a diverse range of programmes and services. It supports families and children through direct delivery of services by ECD staff, through management of third-party contracts, and through the training of other organisations and individuals to support families.

ECD's experience of working with Māori and Pacific peoples communities is that a partnership approach that enables the development of programmes and services is more likely to attract Māori and Pacific peoples families and provide them with successful early learning experiences. ECD has a range of partnerships in place – for parenting programmes and early childhood education service delivery – that are responsive to and reflective of the communities in which they are operating.

Capacity building has been very important with many new providers and parent educators delivering the PAFT programme. Although the withdrawal of the Specialist Education Services caused a short-term loss of institutional knowledge and experience in the delivery of the programme, it opened up opportunities for a wider range of providers. There are now 20 Māori and Pacific organisations delivering the PAFT programme.

The Awhina Mātua/Parent Support programme was only delivered in the Auckland area with a small allocation in Christchurch. This programme, while still attempting to deliver a community development model, focused mainly on reaching the target number of families rather than on *process* which is often very important for people. For this reason the targets were not reached fully and ECD has negotiated realistic and attainable targets for the coming year.

Playgroups continue to be a significant choice for many parents, either as an ongoing early childhood service for their children or as first step towards becoming a licensed and chartered service. ECD is looking at how to measure quality in playgroups and how to support staff and parents to achieve quality. This includes the development of Pacific resources for Pacific groups, Māori specific programmes for Puna Kōhungahunga/Māori playgroups and the planned web-based resource package.

ECD supported only community-based groups to gain probationary and full licensing and chartering status during the year. This demanded ways of meeting the ongoing requests for help and support from non-community groups and the well-received website licensing resource package was put together for this purpose.

The Ministry of Education funded the research on ECD license-exempt work and licensing and chartering work and this provided valuable data for future operation of these programmes.

At present ECD is completing a Professional Development contract for services to licensed centres and looking forward to receiving a renewed contract for the coming calendar year. ECD's professional development programme has continued to provide individualised programmes for Māori, Pacific and general centres with a variety of learning styles available.

Family Start is an inter-sectoral initiative across the health, social services and education sectors. In addition to providing Ahuru Mōwai and Born to Learn training to whānau workers ECD manages six of the 16 site contracts and the contract for induction/generic training for all Family Start sites. Monitoring compliance within contractual guidelines is an important part of ECD's work in this area.

The success of contractual work in the Atawhaingia Te Pā Harakeke programme, where ECD facilitators work closely with iwi/Māori providers, is to be incorporated in other elements of our work such as Puna Kōhungahunga.

Ownership Issues

ECD has liaised with national and local early childhood organisations and agencies regarding early childhood education policies and issues. This has included representation on committees for early childhood national and international conferences, and participation and presentations at annual general meetings of national early childhood education organisations. We have provided reports on aspects of our work to targeted audiences. Increasingly the ECD website is becoming a means to inform the public about ECD work.

At 30 June 2002, ECD employed 92 staff in 82 full time equivalent positions. It maintained its high proportion of non-Pākehā staff, the workforce by ethnicity being 34% Māori, 23% Pacific Islands, and 43% Pākehā and others. We have continued to strengthen ECD's recruitment policy by striving to ensure that the Diploma of Teaching (ECE) is the minimum expectation for new field staff. The turnover for ECD staffing in the year to 30 June 2002 was 23.7%. ECD's level of resourcing means ECD salaries are beginning to be non-competitive. This is not an issue yet, however with the increased demand for qualified early childhood education people, the advent of pay parity with primary for kindergarten teachers and the small size of the recruitment pool, it could become so.

Financial Management

All minimum organisational viability targets were met for the year. However there continues to be concern regarding the longer term. ECD is working more and more with "harder to service" clients requiring the provision of more in-depth service to achieve the desired results.

Partnerships

I wish to acknowledge those Government agencies which ECD works with in close partnership – the Ministry of Education, Department of Child, Youth and Family Services, Te Puni Kōkiri, Ministry of Pacific Island Affairs and Department for Courts. ECD believes we can achieve the best for young children when we are able to act in partnership with our Government colleagues to serve our communities.

We believe in working together with communities to make sure all children we work with have the best educational opportunities right from the start.

I acknowledge the commitment of the Board to ECD and their advocacy for early childhood education. I value the contribution that ECD staff have made as they continue to develop innovative ways of providing early childhood and parenting services that achieve Government aims, and that parents need and want.

Caryl-Louise Robinson

Caryl-Louise Robinson

Chief Executive

Audit New Zealand
AUDIT AND ASSURANCE SERVICES

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF EARLY CHILDHOOD DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2002

We have audited the financial statements on pages 18 to 40 The financial statements provide information about the past financial and service performance of Early Childhood Development and its financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 25 to 28.

Responsibilities of the Board

The Public Finance Act 1989 and Education Act 1989 require the Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of Early Childhood Development as at 30 June 2002, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Stephen Lucy, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Early Childhood Development's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Early Childhood Development.

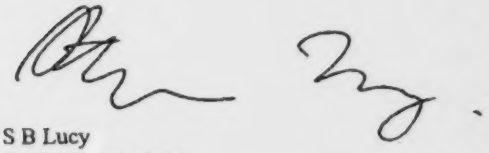
Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of Early Childhood Development on pages 18 to 40:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - Early Childhood Development's financial position as at 30 June 2002;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 23 October 2002 and our unqualified opinion is expressed as at that date.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF RESPONSIBILITY

In the financial year ended 30 June 2002, the Board and management of Early Childhood Development were responsible for:

- the preparation of the financial statements and the judgments used therein;
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management of Early Childhood Development, the financial statements for the year fairly reflect the financial position and operations of Early Childhood Development.

Caryl-Louise Robinson
Chief Executive

Michael S. Morris
Chairperson

OWNERSHIP

ECD legislation compliance priorities for the period 2001/02:

- Monitoring ECD compliance of all Acts and reporting regularly on action.
  All Acts were monitored for compliance. Reports were provided to the ECD Board twice in the year – in March 2002 and July 2002 for the period to 30 June 2002.

- Monitoring new and amended legislation that may have an impact on ECD's operation or work.
  The Education Standards Act 2001 has indirect implications for ECD in terms of PAFT contracts with Special Education Services, which was disestablished under the Act. Transition arrangements have been dealt with satisfactorily.

ECD priorities for Stakeholders and Partnerships for 2001/02:

- Providing advice to the Ministry of Education on trends and issues.
  Advice was provided to the Minister as reported under Output Information and Advice.

- Maintaining contact with national and local early childhood organisations regarding the development of early childhood education policies and their implementation.
  Contact was maintained with national and local early childhood education organisations through correspondence, face to face meetings and seminars. For example ECD was represented on the committee for the development of ECE World Forum in Auckland April 2002, and attended most of the national early childhood education annual meetings and conferences.

- Liaising with the Education Council regarding the development of higher early childhood education qualifications, and professional development.
  ECD has been represented and corresponded with Government with regard to qualifications in early childhood education.

- Continuing discussions about the inter-relationship between Education Review Office and ECD's advisory roles in the early childhood sector.
  ECD has held at least two national meetings and had regular regional and local office contact between staff in terms of provision of early childhood education.

- Providing information and updates about ECD on a regular basis to stakeholders.
  Reports on all of ECD's work covering Document of Accountability, Professional Development, Participation, Parenting programmes and work with Māori providers and families were provided as required by contracts. ECD's website provided organisational updates and information to stakeholders and the general public.

ECD priorities for Service Delivery for 2001/02:

- Working with the Ministry of Education to evaluate the quality and effectiveness of ECD's service delivery, beginning with license-exempt groups.
  A Ministry report on both license-exempt group work and licensing and chartering work was completed in October 2001.

- Improving and building upon the Ahuru Mōwai content of the Born to Learn curriculum for Māori families in PAFT and Family Start, in terms of on-going training of parent educators and monitoring of third party contracts.

A draft of Te Mahere Kaupapa Māori, which is a practical application of Ahuru Mōwai, was trialed at selected PAFT and Family Start sites between January and June 2002. Comments are positive and the final document will be available in 2002/03.

- Developing and improving the capacity of PAFT and Family Start curricula to acknowledge Pacific peoples' cultural values and parenting practices.
  The Pacific Perspective session is presented at all Initial Training sessions for new parent educators (PAFT) and whānau workers (Family Start). This session is consistently regarded by participants as one of the highlights of the training.
  Pacific Dialogue is a three-hour session at the Ongoing Professional Development sessions for all parent educators.

- Improving and developing initiatives for Māori and Pacific peoples' children, to reduce disparities, e.g. developing the Tāonga Te Mokopuna programme (targeting Māori children exposed to domestic violence) to meet the needs of children.
  ECD successfully carried out training programmes for capacity building with Māori providers to enable them to deliver programmes for their own communities. ECD continues to build on the number of children within the Taonga Te Mokopuna programme. A special Pacific focus programme is planned to be completed in 2002/03.

- Developing the *Learning Environments for Playgroups* kit to meet the culture-specific needs of Pacific Islands Early Childhood Groups.
  Planning work began this year to achieve this, and it will be completed in 2002/03.

ECD priorities for Human Resources for 2001/02:

- **Staff recruitment**: Continue to strengthen ECD's recruitment policy, by striving to ensure that the Diploma of Teaching (ECE) is the minimum expectation for new field staff.
  During the year, ECD employed twelve field staff. All but one staff member met early childhood qualification requirements. The one staff member held a social services qualification.

- Recruiting staff to address the developing need for analytical skills in ECD's monitoring, analysis and assessment function.
  Appointments of national office staff (Strategic Manager and Service Delivery Manager) reflected this in the specifications for the positions. A strategic analysis position is to be filled in the first quarter of 2002/03.

- **Staff development**: Assessing the number of staff who require upgrading of their formal qualifications, and continuing to implement staff development policies on the budget available.
  Twenty three staff continued in upgrading their formal qualifications during the year. Four graduated with a qualification during the year. The remaining nineteen continue to study towards an early childhood education qualification.

- Implementing staff training in using the newly introduced intranet.
  On the job training has been provided for many staff in regional offices although this training uncovered a high need for basic instruction in computer operating.

- Monitoring staff turnover, recruitment and retention rates, to provide rationale for resourcing to meet requirements of the ECD work.
  The following table shows ECD turnover for the past year. ECD's level of resourcing means ECD pays salaries under the early childhood education sector benchmark. This is not an issue yet, however with the increased demand for qualified early childhood education people and the small size of the recruitment pool it could become important.

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ECD Staff Turnover for 2001/02

1st quarter 1 July 01 – 30 September 2001	5.4 %
2nd quarter 1 October 01 – 31 December 2001	3.1 %
3rd quarter 1 January 02 – 31 March 2002	7.4 %
4th quarter 1 April 02 - 30 June 2002	7.6 %
Total for the year	23.7%
(Total for the previous year 2000/01	23.2%)

ECD priorities for Information Strategies for 2001/02:

- Applying the Information Strategy to replace and upgrade existing computers and information systems.
  The Information Strategy policy was applied for all replacement computers and systems.

- Assessing the internal information systems and timeframe disparities with a view to improving processes and considering a future integration of financial and non-financial systems.
  ECD is aware of the need to progress this action. However the cost of such a change and the implications require further investigation and analysis work to be undertaken.

- Maintaining a watching brief on e-government initiatives to ensure ECD compliance, through staff attendance at appropriate events and the dissemination of e-government information across the organisation
  Information Services and Information Technology management, leaders and staff have taken responsibility for aspects of e-government and participated in seminars and provided information and support about e-government to ECD. ECD has contributed meta-data to the e-government portal.

- Completing and monitoring the success of ECD's newly introduced intranet
  The intranet was fully operational for ECD staff on 1 July 2001 and use of it has been monitored by the Information Services team using feedback from ECD users.

- Reviewing PAFT providers' reporting systems, with a view to developing and implementing an electronic data transfer.
  This review has been affected by resource constraints, largely due to the size of the workload with the re-tendering of PAFT contracts and the transition arrangements. Work plans are in place for this work to begin in 2002/03.

Priorities for ECD Governance for 2001/02:

- Review the strategic plan for early childhood education, after the outcomes of the various external reviews in the early childhood education sector are determined.
  The review of the strategic plan for early childhood education and the implications for ECD have been a significant part of Board considerations at their meetings once the report to the Minister on the Strategic Plan was disseminated in October 2001.

- Reviewing ECD policies to maintain alignment with Government direction and goals.
  The Board has considered proposals from management and discussed ECD direction and goals to ensure that ECD remains aligned to Government direction and goals.

Risks and Management Strategies

These are outlined in the table below

Table: Risks and Management Strategies

Key Risks	Level of Risk (High, Medium, Low)	Risk Management Strategies
Governance		
Audit and risk management	Low	Committee structure in place and operated in 2001/02 to direct and guide governance of ECD Audit matters were reviewed and decided for management direction
Management and financial reporting	Medium	Monthly finance reports and target achievement were reviewed by Board
Legal compliance	High	All applicable Acts were monitored and reported on to Board twice per year
Risk aware culture	High	Management reported on action taken to ensure risk is managed at all levels of organisation
Organisational Capacity		
Management of environment, resources	Medium to High	Maintained economies of scale through additional business opportunities
Changing shape of demands for ECD services	High	Appropriate monitoring of demography, participation rates was undertaken (within limited ECD resources)
Financial Viability		
Operation without a deficit	Medium	Improved performance management, including financial management was undertaken
Working capital	Low	Managing for on-going surpluses and minimal repayments to the Crown was undertaken
Taxpayers' equity	Low	ECD continued to use standardised systems and processes
Service Delivery		
Quality assurance	High	External evaluation and strengthened external processes through new regional management structure were undertaken
Human Resource		
Staff qualifications	Medium	Prioritising of staff development budget was done. Recruitment criteria were revised
Staff recruitment	Medium - High	This is an area of ongoing risk
Staff retention	Medium - High	At 23.7% turnover this is becoming high and could be an issue for the future

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STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2002

This Statement of Service Performance (SSP) contains all performance measures in the Statement of Intent tabled by the Minister, and key performance measures, which cover ECD'S key activities.

OUTPUT 1 - PROVISION OF INFORMATION AND ADVICE

There are two strands to this output. The first includes the provision of information and advice to the Minister of Education and the Ministry of Education. This includes providing information for Parliamentary Questions, Ministerial correspondence and Cabinet papers, and information for inter-agency projects. It also includes advice on operational issues and environmental matters related to the provision of early childhood education services.

The second strand is the provision of information and advice to individuals and groups about licensing and chartering and includes intensive support for those groups who have committed to becoming licensed and chartered.

OBJECTIVE	PLANNED PERFORMANCE	ACTUAL PERFORMANCE
Ministerial Advice and Support ECD provides information and advice within agreed timeframes on request to the Minister of Education, the Ministry of Education and other Government agencies. This includes addressing issues raised by stakeholders and advance communication on sensitive issues.	Respond to 10-20 queries on early childhood education and parenting	68[1] queries responded to on early childhood education and parenting
	Respond to 2-10 Cabinet papers or submissions to the Minister	11[1] Cabinet papers or submissions to the Minister responded to
	Prepare responses to 5-20 Parliamentary Questions	41[1] Parliamentary Questions responded to
	Prepare responses to 5-20 Official Information Act requests	2 Official Information Act requests responded to
	Prepare 5-20 draft Ministerial letters	10 draft Ministerial letters prepared
Licensing and Chartering Advice and Support ECD supports early childhood groups to apply to become licensed and chartered, and supports those groups in the post-probationary phase to obtain full licensing	Between 90 and 110 community groups who have committed to becoming licensed and chartered, including Māori and Pacific, are worked with annually	187 community groups committed to becoming licensed and chartered, including Māori and Pacific, were worked with annually. The target was exceeded due to the change in focus in this programme towards the end of the previous year. However there remained a carry over of the non-targeted groups into this year.
	At least 60 community groups reach probationary licensed status	35 community groups reached probationary licensed status. The target of 60 groups was optimistic and not based on previous years performance. Future targets in this area of work will reflect more closely the actual performance.

[1] Actual performance reflects response to external demand.

OBJECTIVE	PLANNED PERFORMANCE	ACTUAL PERFORMANCE
	ECD will develop a support package to support individuals and groups wishing to establish the licensing and chartering of public and privately owned childhood education centres (Amendment to DoA, May 2002)	Support package developed and available on ECD website by June 2002

OUTPUT 2 – SUPPORTING PARENTING

ECD will promote and provide a range of effective early childhood education and parenting support services, to improve the participation rates and learning outcomes of children. Service delivery will focus on the informal (pre-licensed or unlicensed) part of early childhood education, as a vehicle to encourage entry into more formal (licensed and chartered) early childhood education services.

OBJECTIVE	PLANNED PERFORMANCE	ACTUAL PERFORMANCE
Awhina Mātua To support Māori and Pacific peoples' families with children under 5 to participate in early childhood education	At least 40% of families supported are Māori, and at least 40% of families are Pacific peoples	39.5% of families are Māori and 59% of families are Pacific peoples (1.5% 'other')
	At least 80% of families are new	100% of families are new
	Up to 70% of families are linked to at least one next-stage early childhood education service when they exit from Awhina Mātua	100% of families were linked to at least one next-stage early childhood education service when they exited from Awhina Mātua
Family Start ECD supports the delivery of the Ahuru Mōwai and Born to Learn curriculum to all Family Start families through training and on-going support for Family Start workers	All new Family Start workers receive training to deliver the Ahuru Mōwai and Born to Learn curriculum to families	118 Family Start workers received initial training to deliver the Ahuru Mōwai and Born to Learn curriculum to families In addition fifteen two day ongoing training sessions were held for a total of 167 whānau workers
	Delivery of the curriculum is supported and monitored by ECD	Delivery of the curriculum is monitored by ECD through site visits to providers
Parents As First Teachers ECD trains the PAFT parent educators to deliver the Ahuru Mōwai and Born to Learn curriculum to families, and provides on-going support to parent educators	All new parent educators receive training in delivery of the Ahuru Mōwai and Born to Learn curriculum to families	51 new parent educators received training in the delivery of the Ahuru Mōwai and Born to Learn curriculum to families
	All parent educators and programme coordinators have an opportunity to participate in on-going training, on an annual basis	Ongoing professional development was provided for 61 parent educators and programme coordinators. Training for the balance of Parent Educators was postponed to August 2002.
	Resources are provided to support the programme in accordance with the needs of New Zealand families	PAFT resources were provided to support the programme in accordance with the needs of New Zealand families

OBJECTIVE	PLANNED PERFORMANCE	ACTUAL PERFORMANCE
Licence-Exempt: Playgroups Parents are assisted to form/sustain a playgroup to provide quality, affordable early childhood education in a community-based location. ECD does this by providing advice and services about meeting administration and quality requirements, and how to provide developmentally appropriate and stimulating learning and play	At least 800 playgroups are worked with annually At least 300 of these groups receive more intensive support At least 50% of funded groups use the *Learning Environments Kit* At least 80% of funded groups use the *Administration Kit*	914 playgroups were worked with 316 of these groups received more intensive support 51% of funded groups use the *Learning Environments Kit* 89% of funded groups use the *Administration Kit*
Pacific Islands Early Childhood Groups (PIECGs) Parents from Pacific peoples' communities are assisted to form a group to manage the co-operative and flexible provision of quality, culturally appropriate and affordable early childhood education in a community based location	All groups' programmes are based on Pacific peoples' values and languages	100% of groups' programmes are based on Pacific peoples' values and languages
Ngā Puna Kōhungahunga (NPK) Māori parents are assisted to form a group to manage the co-operative and flexible provision of quality, culturally appropriate and affordable early childhood education in a community based location	All groups' programmes are based on Māori values appropriate for babies and young children	100% of groups' programmes are based on Māori values appropriate for babies and young children

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OUTPUT 3 - MANAGEMENT OF GRANTS AND CONTRACTS

ECD will negotiate and manage a nation-wide range of contracts that provide quality parenting advice services in the areas of Family Start (a cross-sector initiative), and Parents as First Teachers (PAFT). ECD will provide to third-party providers contract management, establishment and support services that will respond appropriately and effectively to their particular needs in ensuring the timely and quality delivery of services.

OBJECTIVE	PLANNED PERFORMANCE	ACTUAL PERFORMANCE
Family Start ECD contributes to the Family Start initiative through the negotiation and management of site contracts, and on-going support for Family Start workers	All ECD management of site contracts is negotiated and monitored in accordance with the requirements set out in the agreed *Protocol among Co-Funders of Family Start Services and Expansion of Early Start 1998 – 2004*	Achieved as specified in all six sites No new contracts negotiated, existing contracts managed and monitored according to the specified requirements
Parents As First Teachers PAFT third party provider contracts are negotiated and monitored in accordance with ECD requirements	All contracts are negotiated and monitored in accordance with ECD's contract management obligations	All 39 contracts were negotiated in accordance with ECD's contract management obligations Contracts were managed and monitored in accordance with specified requirements
Developing Centres Fund ECD assesses eligibility and disburses grants as appropriate for new and existing licence-exempt groups, including groups aspiring to licensed status	100% of eligible groups – Playgroups, PIECGs, NPK and Playcentres (licence-exempt) receive Developing Centre Funding grants	100% of eligible groups – Playgroups, PIECGs, NPK and Playcentres (licence-exempt) received developing centre funding grants

OTHER SERVICE PERFORMANCE

for the year ended 30 June 2002

During 2001/02 ECD provided services relating to Non-Statement of Service Performance contracts. Details of these contracts are shown in the table below.

Objective	Target	Performance	
		Number	Percentage
Professional Development	four milestone reports	four reports produced	100%
Promoting Pacific Participation Wellington	four reports	four reports produced	100%
Atawhaingia Te Pā Harakeke	four reports	four reports produced	100%
He Taonga Te Mokopuna	Complete programme referrals as required	All referrals completed as required	100%
Family Start PAFT Training Contracts	Complete requirements as per lead agreement	Requirements completed as per lead agreement	100%

STATEMENT OF COST OF SERVICES

for the year ended 30 June 2002

OUTPUT	REVENUE			EXPENDITURE			NET SURPLUS/(DEFICIT)		
	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000
Provision of Advice									
Information and Advice	528	528	528	491	528	590	37	0	(62)
Licensing & Chartering	752	694	694	719	694	737	33	0	(43)
	1,280	1,222	1,222	1,210	1,222	1,327	70	0	(105)
Management of Grants and Contracts									
PAFT Management of Provider Contracts	322	322	322	306	322	327	16	0	(5)
Family Start Management of Provider Contracts	86	173	173	83	173	141	3	0	32
DCF- Managing Disbursements	102	102	102	102	102	84	0	0	18
	510	597	597	491	597	552	19	0	45
Supporting Parenting									
Awhina Mātua Programme	429	429	428	427	429	507	2	0	(79)
License Exempt Groups	2,137	2,137	2,245	2,119	2,137	2,387	18	0	(142)
PAFT National Costs	805	805	805	784	805	941	21	0	(136)
PAFT Provider Fees	6,850	6,850	7,116	6,850	6,850	7,108	0	0	8
Family Start National Costs	154	109	886	153	109	805	1	0	81
Family Start Provider Fees	5,287	5,139	4,606	5,284	5,139	4,622	3	0	(16)
	15,662	15,469	16,086	15,617	15,469	16,370	45	0	(284))
Other Service Performance									
Minor Contracts	47	-	27	27	-	25	20	0	2
Domestic Violence Act Contract	212	360	365	312	360	313	(100)	0	52
Professional Development Contract	911	445	777	885	445	529	26	0	248
Te Kōmako Contract	1,276	995	776	1,276	995	626	0	0	150
PAFT Training & Monitoring	221	344		220	344		1	0	0
Increased Pacific Participation Project contract					147	140		133	140
	2,814	2,284	1,945	2,853	2,284	1,493	(39)	0	452
Interest	8 4	65	151				84	65	151
Total	20,350	19,637	20,001	20,171	19,572	19,742	179	65	259

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2002

REPORTING ENTITY

These are the financial statements of Early Childhood Development (ECD), a Crown entity in terms of the Public Finance Act 1989.

These financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

In addition, ECD has reported on the funding administered on behalf of the Crown as a note to the financial statements.

MEASUREMENT SYSTEM

The financial statements have been prepared on a historical cost basis.

ACCOUNTING POLICIES

The following particluar accounting policies, which materially affect the measurement of financial performance and financial position have been applied:

FIXED ASSETS

All fixed assets are recorded at historical cost. The minimum capitalisation value of individual assets is $500.

DEPRECIATION

Fixed assets are depreciated at rates that will write off the cost of the assets to their estimated residual value over their useful life.

Depreciation has been provided for, using the "diminishing value" method at the following rates:

Motor vehicles	20% per annum
Office furniture	20% per annum
Leasehold improvements	20% per annum
Office equipment	20% per annum

Depreciation has been provided for, using the "straight line" method at the following rate:

Computer equipment	30% per annum

Assets purchased during the year have been depreciated from the month in which they were purchased.

GOODS AND SERVICES TAX

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

TAXATION

ECD is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

CONSUMABLE SUPPLIES AND PUBLICATIONS

All consumable supplies and resources are expensed as purchased. The costs of publications and resources developed by ECD are expensed in the period in which the costs are incurred.

REVENUE

ECD derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

RECEIVABLES

Accounts receivables are stated at their estimated realisable value.

GRANT FUNDS

Grants are paid by ECD as transfer payments as an agent of the Crown. Transfer payments are not recorded in the Statement of Financial Performance. However the balance of funds received is reflected in the Statement of Financial Position.

PROVISION FOR EMPLOYEES' ENTITLEMENTS

Provision is made in respect of ECD's liability for annual leave. Annual leave has been calculated at an actual entitlement basis at current rates of pay.

COST ALLOCATION

ECD has derived the costs of outputs using a cost allocation system, as outlined below:

Criteria for direct and overhead costs

"Direct costs" are those costs directly attributable to an output.

"Overhead costs" are those costs that cannot be identified with a specific output in an economically feasible manner. These costs are further categorised as *Indirect costs* and *Corporate overhead costs*.

Direct costs assigned to outputs

Direct costs are charged directly to outputs. Labour costs are charged to outputs on an actual time basis derived from an FTE (Full Time Equivalent) allocation system and supported by the time recording system. Time spent directly in a sub-output is coded to that sub-output. Time indirectly related to or linked to a particular sub-output is also coded to that sub-output except the National Office Corporate Services' staff time. These costs remain as overhead costs. Materials costs are coded direct to outputs via expenditure vouchers.

Basis for assigning indirect costs to outputs

Indirect costs are assigned to sub-outputs on the basis of: work programmes undertaken in individual offices and as allocated in the FTE allocation system; space occupied where this is easily identifiable; and other cost drivers linking them to sub-outputs. Items that continue to be unallocated costs remain as corporate overheads.

Basis for assigning corporate overhead costs to outputs

Corporate overhead costs are assigned to outputs on the basis of the proportion of the corporate overhead cost of the total ECD costs.

For the year ended 30 June 2002, indirect costs accounted for 10% (2001: 23%) of total costs, corporate overhead costs accounted for 6% (2001: 4.7%) of total costs.

OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognized on a systematic basis over the period of the lease.

COMMITMENTS

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point at which the contingency is evident.

FINANCIAL INSTRUMENTS

ECD is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. All financial instruments are shown at their estimated fair value.

STATEMENT OF CASH FLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which ECD invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support ECD's operating activities. Grants are also received from the Ministry of Education under the Developing Centres Fund, and payment of grants is made to early childhood education groups.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

Financing activities are those activities relating to changes in equity and debt capital structure of ECD and those activities relating to the cost of servicing ECD's equity capital comprise the change in equity and debt capital structure of ECD.

BUDGET FIGURES

The budget figures are those approved by the Board at the beginning of the financial year and were presented in the Board's Statement of Intent for 2001/2002.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with the previous year.

STATEMENT SPECIFYING FINANCIAL PERFORMANCE

for the year ended 30 June 2002

The ECD Board agreed to the following financial targets with the Minister of Education at the beginning of the year.

SPECIFIED FINANCIAL PERFORMANCE	Target 2002	Achieved 2002	Achieved 2001
To maintain a positive working capital	3.45:1	2.23:1	1.84:1
To maintain equity to at least 50% of total assets	83.50%	74.35%	66.09%
To operate without a deficit	$65,000 surplus	$179,000 surplus	$259,000 surplus

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002

	Note	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000
Revenue				
Crown		17,452	17,288	17,905
Other	1	2,814	2,284	1,945
Interest Income		84	65	151
Total Revenue		20,350	19,637	20,001
Expenses				
Personnel Costs		4,365	4,046	4,205
Operating	2	15,431	15,121	15,137
Depreciation	3	375	405	400
Total Expenditure		20,171	19,572	19,742
Net Operating Surplus/(Deficit)		179	65	259

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2002

	Note	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000
Public equity as at 1 July 2001		2,317	2,248	2,066
Net Operating Surplus/(Deficit) for the period		179	65	259
Total recognised revenues and expenses for the period		179	65	259
Provision for repayment of surplus to the Crown	5	3	-	8
Public equity as at 30 June 2002		**2,493**	**2,313**	**2,317**

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2002

	Note	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000
CURRENT ASSETS				
Bank and cash		115	425	153
Money market deposits	4	1500	1,000	1,800
Receivables and prepayments		311	150	193
Grant funds receivable	5	-	-	41
Total Current Assets		1,926	1,575	2,187
NON-CURRENT ASSETS				
Fixed assets	6	1,427	1,195	1,319
Total Non-Current Assets		1,427	1,195	1,319
TOTAL ASSETS		**3,353**	**2,770**	**3,506**
CURRENT LIABILITIES				
Accruals and payables	7	802	457	1,181
Provision for repayment to the Crown	5	58	-	8
Total current liabilities		860	457	1,189
NET ASSETS		2,493	2,313	2,317
PUBLIC EQUITY		**2,493**	**2,313**	**2,317**

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2002

	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Operational funding	19,853	19,572	20,277
Interest - operational funds	84	65	151
Grant funds received	2,818	2,300	2,470
Cash was applied to:			
Payments to employees	4,369	4,046	4,207
Net goods and services tax	9	32	(77)
Grant funds paid	2,722	2,220	2,511
Other operating costs	15,461	15,169	14,867
Net cash flows from Operating Activities	194	470	1,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of fixed assets	101	-	75
Cash was applied to:			
Purchase of fixed assets	625	350	318
Net cash flows from Investing Activities	(524)	(350)	(243)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Payment of surplus to the Crown	8	-	1,433
Net cash flows from Financing Activities	(8)	-	(1,433)
Net increase/(decrease) in cash held	(338)	120	(286)
Plus opening cash	1,953	1,305	2,239
Closing cash balance	1,615	1,425	1,953
Bank and cash	115	425	153
Money market deposits	1,500	1,000	1,800
Closing cash balance	1,615	1,425	1,953

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 30 June 2002

RECONCILIATION OF THE NET OPERATING SURPLUS/(DEFICIT) FROM OPERATIONS WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES

	Actual 2002 $000	Budget 2002 $000	Actual 2001 $000
NET OPERATING SURPLUS	179	65	259
Add non-cash items:			
Depreciation	375	405	400
Add (less) movements in working capital items:			
(Increase)/Decrease in accounts receivable and prepayments	(118)	-	134
Increase/(Decrease) in accruals and payables	(83)	(84)	234
Increase/(Decrease) in income received in advance	(308)	-	308
(Increase)/Decrease in GST payable	12	(30)	48
Increase/(Decrease) in grant funds	96	80	(41)
	153	436	1342
Add (less) items classified as investing Activities:			
Net (surplus)/loss on sale of fixed assets	41	34	48
Total investing activity items	41	34	48
NET CASH FLOW FROM OPERATING ACTIVITIES	194	470	1,390

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF COMMITMENTS

as at 30 June 2002

	2002 $000	2001 $000
Non-cancellable operating lease commitments, payable:		
Due		
Not later than one year	469	369
Later than one year and not later than two years	372	290
Later than two years and not later than five years	248	237
Later than five years	41	-
Non-cancellable operating lease commitments	1,130	896
PAFT and Family Start third party contracts:		
Due		
Not later than one year	11,832	11,537
Later than one year and not later than two years	10,092	8,101
Later than two years and not later than five years	3,621	6,474
Later than five years	-	-
PAFT and Family Start commitments	25,545	26,112
Total commitments	**26,675**	**27,008**

STATEMENT OF CONTINGENT LIABILITIES

as at 30 June 2002

ECD had no contingent liabilities as at 30 June 2002.
(Nil as at 30 June 2001)

The accompanying accounting policies and notes form an integral part of these financial statements.

	Actual 2002 $000	Actual 2001 $000
1. OTHER REVENUE		
Other Crown Contract Funding	2,767	1,918
Other	47	27
Total other revenue	2,814	1,945
2. OPERATING EXPENSES		
Operating expenses comprise the following:		
Audit fees – financial statements	33	31
Board members' fees	28	32
Communications	507	423
External fees	498	750
Network	53	83
General administration	606	529
Materials	286	351
Occupancy	564	528
Travel and accommodation	722	680
Third party contracts	12,134	11,730
Total operating expenses	15,431	15,137
Included in occupancy costs are costs as follows:		
Rental expense on operating leases	456	404
Included in General Administration are costs as follows:		
Fixed assets written off	3	28
Loss on disposal of fixed assets	38	48

3. DEPRECIATION

	2002 $000	2001 $000
Motor vehicles	116	122
Office furniture	34	33
Computer equipment	126	127
Leasehold Improvements	52	60
Office equipment	47	58
Total depreciation	375	400

4. MONEY MARKET DEPOSITS

For the year ended 30 June 2002, ECD invested $1,500,000 in the money market with the Bank of New Zealand at a rate of 5.3% (2001 5.7%). This deposit matures on the 1 July 2002.

5. PROVISIONS

ECD receives funding from the Crown which it is required to pass on to third parties, and it also receives funding from the Crown for the purchase of outputs on behalf of the Crown from third parties.

	Actual 2002 $000	Actual 2001 $000
Opening balance	(33)	1,330
Repayments made	33	(1,330)
Funding received	14,914	14,192
Grants and provider payments made	(14,856)	(14,225)
Closing balance	**58**	**(33)**
Included in the Closing balance are provisions as follows:		
Family Start Provider Fees	3	0
PAFT Provider Fees	0	8
Developing Centres Funding	55	(41)
Total	**58**	**(33)**

6. FIXED ASSETS

	Cost 2002 $000	Accumulated Depreciation 2002 $000	Net Book Value 2002 $000	Cost 2001 $000	Accumulated Depreciation 2001 $000	Net Book Value 2001 $000
Motor vehicles	1,042	(371)	671	969	(432)	537
Office furniture	444	(284)	160	393	(252)	141
Computer equipment	645	(487)	158	613	(440)	173
Leasehold Improvements	525	(280)	245	466	(228)	238
Office equipment	515	(322)	193	506	(276)	230
Total	3,171	(1,744)	1,427	2,947	(1,628)	1,319

7. ACCRUALS AND PAYABLES

	Actual 2002 $000	Actual 2001 $000
Accounts payable	332	400
GST	96	84
Revenue received in advance	-	308
Provision for annual leave	148	152
Expense accruals	226	237
Total	**802**	**1,181**

8. MAJOR BUDGET VARIATIONS

STATEMENT OF FINANCIAL PERFORMANCE

Total revenue is 3.6% over the original budget mainly due to the extension of the Professional Development contract to 31 December 2002 (was due to expire in December 2001). Also the Te Kōmako contract had treated $259,000 as income in advance in the previous period and was not included in the budget for 2002.

STATEMENT OF FINANCIAL POSITION

Liquid assets ($1.615 million) at year end 2002 was 17.3% down from the previous year mainly due to the capital programme undertaken of $625,000 compared to $318,000 in the previous period.

The variation between the actual accruals and payables ($802,000) and the budgeted figure ($457,000) is a result of delays in the timing of programme delivery and associated expenditure which was budgeted to occur earlier in the year.

9. EMPLOYEES' REMUNERATION

One employee received remuneration and other benefits of $100,000 or more per annum. This was the Chief Executive Officer whose remuneration lies in the $130,000 - $140,000 band. The Chief Executive Officer received remuneration in the range $120,000 - $130,000 during the previous year.

10. RELATED PARTY INFORMATION

ECD is a wholly owned entity of the Crown. A contract with the Minister of Education comprised 85.7% of total funding for the year ended 30 June 2002 (89.5% for the year ended 30 June 2001). Other Crown contracts comprised 13.8% of total funding for the year ended 30 June 2002 (9.6% for the year ended 30 June 2001). All transactions with public sector entities were conducted on an arms-length basis and in the normal course of business.

There were no related party transactions between the ECD Board members and ECD.

11. FINANCIAL INSTRUMENTS

ECD is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable and accounts payable.

CREDIT RISK
Credit risk is the risk that a third party will default on its obligation to ECD, causing ECD to incur a loss.

ECD has a minimal credit risk in its holding of various financial instruments.

The Board places its investments with institutions that have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. ECD believes that these policies reduce the risk of any loss that could arise from its investment activities. ECD does not require any collateral or security to support financial instruments. ECD has minimal credit risk in relation to accounts receivable as the majority of its customers are government departments.

There is no significant concentration of credit risk.

FAIR VALUE
The fair value is equivalent to the carrying amount disclosed in the Statement of Financial Position.

CURRENCY RISK AND INTEREST RATE RISK
ECD has no exposure to currency risk and minimal exposure to interest rate risk as it has no borrowings and its bank deposits are of a short-term nature.

LETTERS OF CREDIT
As part of its everyday operations, ECD has financial arrangements with Bank of New Zealand in the form of letters of credit. As at 30 June 2002, ECD has the following liabilities outstanding under letters of credit:

Favouree	Nature of purpose of Letter of Credit (L/C)	Balance Undrawn Amount $	Total L/C Amount $
BNZ Credit Card	Business Visa	-	2,500
Datacom Employer Services	Payroll	-	125,000
Total		-	**127,500**

The total letters of credit of $127,500 was the same in 2001.

12. BOARD FEES

Board members earned the following fees during the year:

Member	Appointment Date	Resignation Date	Fees 2002	Fees 2001
M. Morris	October 2000		$18,000	$15,500
D. Matthews	May 2000		$2,000	$2,333
H. May	May 2000		$1,500	$1,875
E. Moko-Reid	October 2000		$2,375	$2,500
T. Morgan	March 2000		$2,250	$3,000
A. Tamati	May 2000		$1,875	$2,500
P. Seymour	October 1992	September 2000		$4,000
J. Mariu	March 1995	September 2000		$375
Total			**$28,000**	**$32,083**

No severance payments have been made to Board members. Remuneration through fees and reimbursement of actual and reasonable travelling expenses is all-inclusive and no consultancy or ex-gratia payments or benefits have been provided to Board members.

13. POST BALANCE DATE EVENTS

No events have occurred between the balance date and the date of signing these financial statements that materially affect the financial statements.

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Office of Educational Research and Improvement (OERI)
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